

Edmonton Opera Association
Financial Statements
June 30, 2017

Management's Responsibility

To the Members of the Edmonton Opera Association:

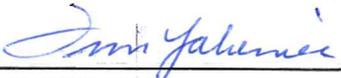
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

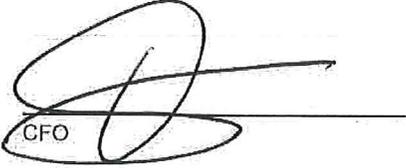
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 25, 2017


General Manager


CFO

Independent Auditors' Report

To the Members of the Edmonton Opera Association:

We have audited the accompanying financial statements of the Edmonton Opera Association, which comprise the statement of financial position as at June 30, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Edmonton Opera Association derives revenue from the general public in the form of donations and sponsorships, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Edmonton Opera Association. Therefore, we were not able to determine whether any adjustments might be necessary to donations and sponsorships revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2017 and June 30, 2016, current assets as at June 30, 2017 and 2016, and net assets as at July 1 and June 30 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended June 30, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Edmonton Opera Association as at June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Alberta

October 25, 2017

MNP LLP

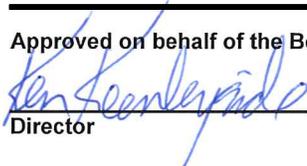
Chartered Professional Accountants

Edmonton Opera Association Statement of Financial Position

As at June 30, 2017

	2017	2016
Assets		
Current		
Cash	167,729	35,706
Accounts receivable	156,503	75,000
Internally restricted cash	81,449	18,787
Inventory	289	289
Prepaid expenses	82,948	35,221
	488,918	165,003
Capital assets (Note 3)	2,293,102	1,943,931
Restricted cash and term deposits (Note 4)	371,190	371,190
	3,153,210	2,480,124
Liabilities		
Current		
Line of credit (Note 5)	-	182,582
Accounts payable and accruals	260,062	102,357
	260,062	284,939
Deferred revenue	498,525	518,591
Deferred grant revenue (Note 4), (Note 6)	646,152	588,279
	1,404,739	1,391,809
Deferred capital contributions (Note 7)	1,564,576	1,011,632
	2,969,315	2,403,441
Commitments (Note 10)		
Net Assets		
Unrestricted	(626,080)	(880,619)
Internally restricted	81,449	25,000
Invested in capital assets	728,526	932,302
	183,895	76,683
	3,153,210	2,480,124

Approved on behalf of the Board


Director


Director

The accompanying notes are an integral part of these financial statements

Edmonton Opera Association
Statement of Operations
For the year ended June 30, 2017

	2017	2016
Revenue		
Donations and sponsorships <i>(Note 8), (Note 9), (Note 12)</i>	1,733,753	1,427,776
Grant revenue <i>(Note 6), (Note 7)</i>	1,250,782	1,133,140
Ticket sales	1,106,468	1,065,450
Special events	563,758	690,429
Set rentals and other	92,841	148,510
	4,747,602	4,465,305
Expenses		
Production costs	2,297,852	2,494,416
Special events and development	743,598	618,496
General and administrative	580,872	498,574
Promotion and advertising	403,546	421,854
	4,025,868	4,033,340
Excess of revenue over expenses before other items	721,734	431,965
Amortization expense	447,989	350,178
Write-down of capital assets <i>(Note 3)</i>	166,170	-
Excess of revenue over expenses from operations	107,575	81,787
Other income (expenses)		
Foreign exchange loss	(363)	(146)
Gain on disposal of capital assets	-	1,385
	(363)	1,239
Excess of revenues over expenses	107,212	83,026

The accompanying notes are an integral part of these financial statements

Edmonton Opera Association Statement of Changes in Net Assets

For the year ended June 30, 2017

	<i>Unrestricted</i>	<i>Internally restricted</i>	<i>Invested in Capital Assets</i>	<i>2017</i>	<i>2016</i>
Net assets beginning of year	(880,619)	25,000	932,302	76,683	(6,343)
Excess of revenues over expenses	499,362	-	(392,150)	107,212	83,026
Net investment in capital assets	(188,374)	-	188,374	-	-
Interfund transfer	(56,449)	56,449	-	-	-
Net assets, end of year	(626,080)	81,449	728,526	183,895	76,683

The accompanying notes are an integral part of these financial statements

Edmonton Opera Association
Statement of Cash Flows
For the year ended June 30, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Cash received from patrons, donors, and grantors	4,291,608	4,293,037
Cash paid to suppliers and employees	(3,713,881)	(3,881,266)
Interest paid	(13,840)	(20,133)
Interest received	1,758	2,760
	565,645	394,398
Financing		
Advances from line of credit	4,318,016	4,131,810
Repayment of line of credit	(4,500,598)	(4,366,119)
Deferred capital contributions received <i>(Note 7)</i>	774,951	160,000
	592,369	(74,309)
Investing		
Purchase of short term investments	(330,000)	(330,000)
Proceeds from redemption of short term investments	330,000	330,000
Purchase of capital assets	(1,033,693)	(281,176)
Proceeds on disposal of capital asset	70,364	1,385
	(963,329)	(279,791)
Increase in cash resources	194,685	40,298
Cash resources, beginning of year	54,493	14,195
Cash resources, end of year	249,178	54,493
Cash resources are composed of:		
Cash	167,729	35,706
Internally restricted cash	81,449	18,787
	249,178	54,493

The accompanying notes are an integral part of these financial statements

Edmonton Opera Association

Notes to the Financial Statements

For the year ended June 30, 2017

1. Incorporation and operations

The Edmonton Opera Association (the "Association") was formed under the Societies Act (Alberta) in 1963 with the general purpose of presenting Opera to northern Alberta. The Association is a not-for-profit organization and accordingly, exempt from income tax in accordance with Section 149(1)(l) of the Canadian Income Tax Act and Section 35 of the Alberta Corporate Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Unrestricted donations are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations are recognized as revenue in the year in which the related expenses are incurred. Sponsorships are recognized over the term of the related agreement.

Ticket and special events revenue are recognized when the event has occurred.

Grants are recognized as revenue in the fiscal year to which they relate, or as deferred capital contributions when related to the cost of a capital asset.

Rental revenue from set rentals is recognized over the term of the rental agreement.

Donated materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Association's operations and would otherwise have been purchased.

Volunteers contribute significant amounts of time to the activities of the Association without compensation. The financial statements do not reflect those contributed services as no reliable basis exists for determining their fair value.

Cash and short term investments

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Cash and term deposits held for other than current purposes are classified as long-term assets.

Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

The Association regularly reviews its capital assets to write off obsolete items.

	Method	Rate
Production facility	straight-line	term of lease
Computer equipment	straight-line	5-10 years
Computer software	straight-line	10 years
Production assets - sets	straight-line	4-10 years
Rehearsal hall	straight line	term of lease
Music equipment	straight-line	20 years
Leasehold improvements	straight line	term of lease

Edmonton Opera Association
Notes to the Financial Statements
For the year ended June 30, 2017

2. **Significant accounting policies** (Continued from previous page)

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenues over expenses for the current period.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value.

The Association subsequently measures investments in equity instruments quoted in an active market. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Association assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

3. **Capital assets**

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Production facility	1,097,325	491,027	606,298	727,558
Computer equipment	292,748	164,215	128,533	141,374
Computer software	151,834	89,957	61,877	77,345
Production assets - sets	2,186,600	1,721,205	465,395	790,945
Rehearsal hall	923,600	75,512	848,088	159,227
Music equipment	150,887	7,544	143,343	-
Leasehold improvements	65,429	25,861	39,568	47,482
	4,868,423	2,575,321	2,293,102	1,943,931

During the current year, it was determined that certain production assets - sets were obsolete. As a result, the Association has recorded a provision to write-down capital assets in the amount of \$166,170.

Edmonton Opera Association

Notes to the Financial Statements

For the year ended June 30, 2017

4. Restricted cash and term deposits

	2017	2016
Province of Alberta working capital reserve & overdraft facility reserve	300,000	300,000
Canadian Actors' Equity Association - restricted term deposit	25,000	25,000
Canadian Actors' Equity Association - cash bond	23,876	23,876
Reserve for credit card	20,000	20,000
Accrued interest on funds	2,314	2,314
	371,190	371,190

The Association has a letter of credit outstanding to the Canadian Actors' Equity Association in the amount of \$25,000 (2016 - \$25,000). Additionally, the Association has a letter of guarantee with Trisura Guarantee Insurance Company in the amount of \$60,000 (2016 - \$60,000 with HSBC) which is renewed annually.

The Association maintains restricted term deposits in the amount of \$25,000 (2016 - \$25,000) for the Canadian Actors' Equity Association as required under Clause 25 of the July 2007 Opera Agreement. The additional cash bond held by the Canadian Actors' Equity Association also relates to this agreement. This amount becomes payable to the Canadian Actors' Equity Association if the Edmonton Opera Association fails to meet payroll obligations for any production.

For the purposes of a working capital reserve, the Association, as required by the Alberta Foundation for the Arts, has recognized \$231,500 (2016 - \$231,500) as deferred grant revenue (Note 6), and an additional \$68,500 (2016 - \$68,500) of cash is included in long-term cash and term deposits as part of the assets associated with this reserve. The working capital reserve has been established to meet the requirements of an Alberta Foundation for the Arts grant program and may not be expended without a resolution from the Board of Directors.

5. Authorized line of credit and overdraft facility

The Association has a \$750,000 (2016 - \$900,000) overdraft facility that is due on demand, bears interest at the banks prime rate and is secured by a general security agreement, assignment of all risk insurance and security agreement from a corporate donor. Drawings on the overdraft facility at year-end are \$nil (2016 - \$182,582).

The line of credit is subject to certain non-financial covenants which the Association was in compliance with at year end.

At June 30, 2017, the Board has restricted the withdrawal on the overdraft facility to \$167,807 (2016 - \$440,657) in accordance with the fund development activities as part of a sustainability initiative.

6. Deferred grant revenue

	2016	Amounts received	Amounts recognized as revenue	2017
Canada Council	146,700	146,700	293,400	-
Province of Alberta - working capital reserve	231,500	-	-	231,500
Province of Alberta - operating fund	188,874	549,948	369,424	369,398
Province of Alberta - Les Feluettes	-	30,000	-	30,000
Edmonton Arts Council	-	310,000	310,000	-
Edmonton Community Foundation - Understudy grant	21,205	50,000	55,951	15,254
	588,279	1,086,648	1,028,775	646,152

Edmonton Opera Association
Notes to the Financial Statements
For the year ended June 30, 2017

7. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized portion of restricted contributions that were used to fund the production facility improvements, production sets, rehearsal hall and pianos. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Included in cash and deferred contributions related to capital assets are unexpended funds of \$6,320 (2016 - \$14,201) for the purchase of capital assets. The changes in deferred capital contribution balance are as follows:

	2017	2016
Balance, beginning of year	1,011,632	993,570
Contributions received	774,951	160,000
Recognized as revenue	(222,007)	(141,938)
Balance, end of year	1,564,576	1,011,632

8. Endowments

The Association has several endowment funds held by the Edmonton Community Foundation totaling \$4,899,976 as of December 31, 2016 (2015 - \$4,740,583). The endowment funds include several family funds along with the Edmonton Opera Endowment Fund and the Irving Guttman Opera Endowment Fund.

Donation revenue of \$228,005 (2016 - \$161,114) was received in the fiscal year from the above noted funds.

9. Donations and sponsorships

	2017	2016
Edmonton Opera Association donations	1,422,348	1,266,662
Edmonton Community Foundation donations	228,005	161,114
Rob Hood Fund	83,400	-
	1,733,753	1,427,776

All Edmonton Community Foundation donations received in the year were contributed to the Edmonton Opera Endowment Fund of the Edmonton Community Foundation.

Donations and sponsorships includes contributions from corporate, foundation and individual donors.

Included in donations and sponsorships is \$188,534 (2016 - \$78,418) which represents the fair value of material and services provided to the Association. The corresponding amounts have been charged to expenses.

Edmonton Opera Association
Notes to the Financial Statements
For the year ended June 30, 2017

10. Commitments

The Association entered into a five-year lease agreement of the production facility space as of fiscal 2013. The Association has extended the lease to April 2022. The estimated lease payments for all leases for the next five years are as follows:

2018	189,358
2019	189,358
2020	189,358
2021	189,358
2022	189,358
Thereafter	946,790
	1,893,580

Expenditures are committed for the services of conductors, principals, directors and various designs for the upcoming season. As at June 30, 2017 the commitment is estimated to be approximately \$961,000 (2016 - \$921,000).

11. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through purchasing securities with fixed interest rates and short term maturities. The Association is exposed to interest rate risk primarily relating to its term deposits, which are at fixed interest rates and mature within one year, and its line of credit which bears interest at a floating rate as described in Note 5.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association's exposure to liquidity risk is dependent on the collection of accounts receivable and grants receivable.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association enters into transactions to purchase and sell to various vendors denominated in US Dollar currency for which the related revenues and expenses are subject to exchange rate fluctuations. As at June 30, 2017, the following items are denominated in US Dollar currency:

	2017	2016
	CAD\$	CAD\$
Cash	61,135	4,027

12. Economic dependence

The Association's primary source of revenue is received from government grants and various donors. The Association's ability to continue viable operations is dependent on maintaining equivalent funding from these sources.